



Rural Development Programme for England
for rural businesses and communities in South West England

Rural Development Programme for England RDPE

A Project Holders Guide to Delivering a Project



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Introduction

We have written this Guide to help you manage your project in line with EU requirements. It will help you avoid some of the common pitfalls, which could result in our being unable to make grant payments to you or, having to ask you to pay back RDPE Grant already received.

The most common pitfalls include:

- Failing to ensure that the project's cashflow allows sufficient time for claims to be processed and paid.
- Breakdowns in the audit trail
- Claiming for costs before they have been paid from your bank account.
- Claiming for costs which do not attract RDPE Grant.
- Getting overheads wrong.
- Lack of proof of who has benefited from the project.
- Breaking procurement rules.
- Records not kept long enough.
- Poor documentation on how you manage the project.
- Failing to inform the Programme Team of proposed changes to the project

This guide is not a substitute for other key information, such as:

The Offer Letter

EU Procurement Guidance See Annex 1

State Aid Guidance See Annex 1

Equality Legislation See Annex 1

Environmental information See Annex 1

Submitting a claim

The Offer Letter is your contract with LARC for the project, giving the conditions for you to receive funding. It includes a list of your "eligible costs", which are those attracting RDPE grant, specifically for your project.

You will get your RDPE Grant, in arrears, by submitting claims showing what you have spent on eligible costs. Claims are normally quarterly and paid within 6 weeks, so long as you have sent all the required evidence.

You should send us a Progress Report with every claim.

You should have had separate, detailed guidance from the Programme Team on making claims.

The Audit Trail

You need evidence to show the flow of income and expenditure, into, through and out of the project. This evidence is the "audit trail".

You also need an audit trail to show what you have done to achieve your outputs and prove that they are genuine.

The audit trail for money

The general features of a good project audit trail are that it should:

- Track all income and expenditure related to your project, separately from the rest of your financial activity.
- Prove the path the money takes, through your project.
- The links between each stage should be clear, so the path is easy to follow.
- Prove different types of cost in the most appropriate way.
- Distinguish between project costs that are eligible for RDPE Grant and those which are not.

You will need to prove that:

- You are only spending against the cost headings specified in your Offer Letter.
- You are only claiming up to the amounts specified in your Offer Letter for each cost heading.
- Expenditure took place after the project start date, unless the Offer Letter says otherwise.
- You only claim the grant back from us, after you pay the cost and the money has left your bank account.

Your proof should include:

- Original receipted invoices.
- Original bank statements.
- Contracts, job descriptions, payroll information and timesheets, for staff.
The staff member and their manager should sign and date all timesheets.
- For overheads, including depreciation, show the rationale for working them out and proof of the actual costs on which they were based.

For depreciation, you need a fixed asset policy and copies of the relevant invoices, showing when you purchased the asset and its cost.

For assets you have bought, improved or built using RDPE grant the audit trail should include an inventory showing:

- Date of purchase.
- Description of asset.
- Price paid, net of recoverable VAT.
- Amount of RDPE grant paid.
- Location of the asset and of the title deeds or ownership records.
- Serial or identification numbers.
- Date of disposal.
- The name and address of the person to whom you made the disposal.
- Proceeds, net of VAT, from the sale of any assets on the inventory.

Income might be proved by:

- Original payment slips / letters.
- Accounting reports.
- Bank statements.

The audit trail for outputs

The Offer Letter will set out the outputs you have agreed to deliver.

For Defra's instructions on how to evidence your outputs please see Annex 1.

Record Keeping

As well as the audit trail, you should keep records covering the general management and delivery of the project.

These must include:

- The Offer Letter, with any variations.
- The project budget, with updates.
- Correspondence with project partners and subcontractors.
- Progress Reports and supporting evidence.
- Staff records for those costed to the project, such as:
 - lists of staff charged to the project, showing name and role
 - contracts.
 - job descriptions.
 - proof of how you calculated their salary costs, charged to the project.
- Recruitment records for staff charged to project.

This includes:

- job advertisement
- job description.
- invitation to interview.
- interview panel report.
- appointment letter.
- Records to show compliance with legal requirements such as:
 - Equality and diversity.
 - Building regulations and any associated legislation (Fire, gas & electricity installation certificates etc)
 - Health and Safety
 - Your project's impact on the environment.
 - Publicity.
 - State Aid.
 - Procurement.
- Procedures for managing and delivering the project, including "project controls". (See Project Controls, page 8).

We will expect you to be able to produce original documents.

You must keep all project records (including your audit trail) until six years after your last payment.

Project Controls

“Controls” ensure the audit trail and key delivery processes comply with Offer Letter requirements.

If you are running a small project some or all of these controls may not be appropriate. If you think this may be the case, please contact the Programme Manager.

Controls are especially important where you work through partners, or subcontractors. You are responsible for the project keeping to the required standards, so you will pay any penalties, if they fail to do so.

You therefore need to detail your controls for partner and subcontractor activity.

You should document your main controls. You could do this by an organisation chart, annotated to show who does what for the project and where the key controls are.

The different types of control are:

- Management controls.
This is where management exercises supervision and review.
- Organisation controls.
These involve separating duties and clearly defining responsibilities.
“Separation of duties” is an especially important control. It means no one person carries out a process from start to finish. This makes fraud more difficult and detection of errors more likely. For example, compiling and then signing off a claim should be separate duties.
- Authorisation controls.
This is where someone not doing a task checks and authorises it.
- Operational controls.
These are by the person doing the task.
- Access controls.
These restrict unauthorised access to information.
They include passwords on computer files, or keeping information locked away

In-eligible Costs and In-Kind Funding

Eligible costs are those detailed in your business plan and Offer Letter. However you can *never* claim for the following:

- VAT, except non-recoverable input VAT and subject to the completion of a VAT declaration
- Interest and service charges on debts and other financing arrangements.
- Costs connected with leasing, such as the leaser's margin, interest, re-financing costs, overheads and insurance charges.
- Statutory costs such as planning, building regulation fees etc.
- Costs of items bought under HP, before the agreement is paid in full and you are the owner. If you are considering using HP as a means of purchasing equipment, it is essential that you seek advice from the Programme Manager before entering into any commitment, as there can be serious implications for the project's cashflow

You may be able to claim in-kind costs, if they are specifically included in your Offer Letter.

Contributions in-kind cover labour, professional activity or unpaid voluntary work, capital items and services supplied by the project-holder, a project partner or participant in lieu of cash (i.e. at no actual cost to the project).

If you do claim in-kind costs, you will need to make sure you have a full audit trail to support them and that you follow these conditions:

- You only claim those in-kind costs agreed in your Offer Letter.
- You cannot pay for them normally, like any other transaction.
- The provider must provide written evidence that the in-kind contribution has been given and you must provide written evidence of receipt.
- The value placed on the in-kind contribution must not include any profit element and must not exceed the value agreed in your Offer Letter.
- You keep a record explaining why you have used these in-kind costs and showing they represent value for money.
- Where the in-kind contribution is of labour, your evidence must include:
 - Name of the individual giving labour.
 - Dates and hours worked.
 - Timesheets dated and signed by the employer.
 - Normal rate per hour.
 - Total cost.
 - Work carried out.

Staff Costs

Staff costs may form part of eligible expenditure if agreed in the offer letter.

Specific supporting documentation will be required if staff costs are charged to the project.

The only instance where a timesheet is not required is when an employee is employed 100% on one RDPE Project, and only where the job description evidences that their work is 100% based on RDPE eligible activity.

For staff working on a number of projects it is essential that a timesheet is completed recording the amount of time staff work on RDPE projects.

Timesheets should be completed on a daily basis and record all RDPE and non-RDPE activity, holidays or sickness should be entered as non RDPE activity.

For verification, your line manager must sign the completed timesheet and these kept to evidence the claim.

Apportioning Project Delivery Staff Salary Costs

The following formula should be used to calculate the actual hourly rate for each individual involved in the project.

- Calculate the number of days a full time member of staff will work in a whole year. Eg. If a 5 day week is worked there are 260 (5x 52weeks) working days a year.
- Deduct public and annual holidays to give the total working days. Do not deduct any time for sickness.
- Use the total working days x hours worked per day to give the hours worked per year.
- Divide the salary cost (including employers NI and pension costs) by the hours worked per year to give the rate per hour.
- This rate per hour must be used to calculate the cost to charge to the project.
- Multiplying the hours worked on the project taken from the timesheet by the hourly rate.

Overheads

You should show in your application what overheads you want to claim, as well as how you will calculate and prove them. Once these figures have been agreed and included in your Offer Letter, you will be expected to adhere strictly to what has been agreed.

At regular intervals (at least annually) a review and reconciliation exercise should be undertaken, to show how the actual figures compare to this set out in the Offer Letter and make any necessary adjustments. Approval must be sought before the level of any costs is amended.

You should then stick strictly to what has been agreed.
If any queries arise, please ask the Programme Manager.

In general, you need to make sure:

- The source cost is eligible for RDPE support.
- The source cost is fully auditable.
(You can produce receipts, bills etc.)
- The cost is clearly relevant to the project.
- Your apportionment reflects the true cost to the project.
- You claim overheads based on actual costs.
(Use budgets for estimates only.)
- You do not base overheads on general averages.
- You keep a record of how you worked out overheads.
- You keep evidence to support the amount of overheads you claim.



Procurement

You must comply with the EU and national rules for public procurement. This applies even if you are not in the public sector. Your procurement process and decisions are open to scrutiny and audit. They must be open, transparent, well documented and give value for money.

The procurement audit trail should cover all documentation and decision making papers. It should include:

- A procurement policy, covering all procurement, regardless of value.
- A rationale for the procurement method.
- The advertisement.
- The invitation to tender.
- The specification.
- The tenders received including time and date of receipt.
- A detailed record of tender evaluation and how you have processed the tenders since receipt.

This should include:

- your criteria for evaluation.
- an assessment of each tender against the criteria.
- The rationale for awarding the business.
- The award letter(s).
- Any complaints from tenderers.
- Any other correspondence with applicants.

You should keep appropriate evidence from the list above for all procurement activities, regardless of their value.

If you do not already have a procurement policy which meets EU and public sector rules, you should write one.

You should base your policy on the following:

- An Introduction to the EU Procurement Rules (See Annex 1)
- The Office of Government Commerce EU Procurement Guidance (See Annex 1)

You may find the following SWRDA information helps you write a policy:

- The SWRDA Sustainable Procurement Policy (See Annex 1)
- The table on the next page linking procurement methods to value thresholds. This shows the limits used at SWRDA for procurement of public services. Your limits should be broadly comparable to these.



If you are running a very small project, it might not be appropriate for you to have a procurement policy. If so, you should just keep the evidence outlined above and use the table below to guide your actions according to the value of what you are procuring.

Value of Goods or Services	Procurement method
£500 or below.	Single quote.
£501 - £9,999.	Obtain at least three written quotes. <u>Or</u> If there is only one available supplier, use a Single Tender Action. You should agree this in advance with your RDA Case Work Officer.
£10,000 to the thresholds below	Restricted Tender. <u>Or</u> Open and Competitive Tendering. <u>Or</u> Single Tender Action. You should agree this in advance with your RDA Case Work Officer.
£144,000 or above for Supplies and Services. £3,600,000 or above for Works.	Follow the EU procurement process, as in "An Introduction to the EU Procurement Rules" (See Annex 1)

Please note the following about the thresholds at which you need to follow the full EU procurement rules:

- The threshold varies according to the type of organisation you are and what you are procuring.
- The EU reviews it annually.
- The latest thresholds are (See Annex 1)

The official EU limit is set in euros. If you are procuring something close to these limits, you should use the latest exchange rate to make sure have an up to date measure of the threshold.

The latest exchange rates are (See Annex1)



State Aid

State aid is a European Commission term that refers to forms of assistance from a public body, or publicly funded body, given to undertakings on a discretionary basis, with the potential to distort competition and affect trade between Member States of the European Union. State aid can be granted in kind as well as in cash.

It is not the way in which an organisation is constituted that counts, it is the activity funded. This means it is equally applicable to charities, not for profit bodies, local authorities, etc., as well as businesses

Most State aids are obvious and are usually in the form of an intervention that may benefit an undertaking. However, some forms of activity, such as consultancy advice, assistance to help companies invest in environmental projects, or public-private partnerships and contracts not open to competitive tendering, for example, may also constitute a State aid.

If the support provided to you by the RDPE Programme constitutes State aid, you will be advised accordingly, and you will need to keep records and submit any information necessary for the Agency to provide annual returns to the European Commission.

If you provide support funded by the RDPE Programme to other organisations who will be undertaking economic activity, you will need to ensure that that assistance given conforms with State aid regulations.

Small amounts of aid can be provided under the 'de minimis regulations' which permits small amounts of aid (not exceeding 200,000 euros over a three year rolling period) to undertakings. De minimis aid is not tied to fiscal years. Signed declarations (indicating any other receipts of de minimis aid over the preceding 36 month period) need to be obtained from the undertaking prior to the granting of any aid. Sample declaration forms are available from the RDA.

For further guidance on State aid, please consult: -
<http://www.berr.gov.uk/files/file42032.pdf>

If you have any queries on State Aid, please ask the Programme Manager, as non-compliance can be costly.

Publicity

Any project that receives Rural Development Programme (RDPE) funding support must actively publicise the benefits and opportunities offered by the project and the fact that it has received support from the RDPE. Failure to do so could result in being in breach of contract and in loss of grant. This requirement applies to promotional material, websites, press releases and project sites.

The activities below are some of the methods of communication covered by the RDPE publicity requirements but this is not an exhaustive list:

General

- Advertisements (for posts paid for by RDPE funds)
- Documents for beneficiaries of projects
- Exhibition stands and materials
- Internal project documents. This may include internal guidance, beneficiary records, timesheets, contracts, internal newsletters and staff training materials
- Marketing literature about the project or activities
- Newsletters
- Posters
- Project specific documentation
- Project specific letterheads and compliment slips
- Promotional plaques & site billboards
- Publicity material for events making reference to your project Websites

Press releases

- Any press release should include the following statement: “Project part financed by the European Agricultural Fund for European Development 2007-2013: Europe investing in rural areas”. It should also acknowledge that the project is being delivered through the South West of England Regional Development Agency with Defra as the Managing Authority.

Websites

- Websites and other electronic information such as presentations, should include the EU emblem on the home or first page as well as acknowledgement of the source of funding using the strap line “This project is part financed by the European Agricultural Fund for European Development 2007-2013: Europe investing in rural areas”
- Websites should also include a hyperlink to the EU Commission’s rural development web site (See Annex 1) along with the statement acknowledging that the project is being delivered through the South West of England Regional Development Agency, with Defra as the Managing Authority

Plaques and Site Billboards

- Where the total project costs exceed €50,000, you must display a plaque. Contact the Programme Team for assistance.
- Where your project includes building something whose total costs exceed €500,000 you must put up a billboard. The logos noted below and the strap line should occupy at least 25% of the billboard.

Logos

The following logos should always appear on any of the methods of communication noted above (they are all available from the Programme Team):

- The EU logo
- The Defra logo
- The South West of England Regional Development Agency logo
- LEADER logo
- Use of these logos must be accompanied by the strap line “The European Agricultural Fund for Rural Development: Europe investing in rural areas”

For further help and guidance on the publicity requirements please contact the Programme Manager



Cross Cutting Themes

The cross cutting themes are Environmental Sustainability and Equality and Diversity.

The RDA is committed to promoting these in a manner which “cross cuts” all that it does.

The Offer Letter requires you to support this commitment by collating “beneficiary data” for your outputs which helps show your project’s impact on the cross cutting themes.

Changes to the Project

You should notify the Programme Manager:

- Before you make any material changes to the project.
You need approval, in the form of a revised Offer Letter, before making any change.
- As soon as you become aware of any possible changes to profiled expenditure, outputs or results.
- If you want to move funds from one budget line to another.
- You get any income above that in your Application.
- If there is any change of ownership or use of the project assets.
This applies up to 5 years after the project closes.

After the Project has Closed

You must:

- Keep all project records for six years after your project closes.
- Report any outstanding outputs or results achieved after the project has closed.
- Report changes in asset ownership after the project has closed.
(See previous section)

Annex 1 – Further Information

Section	Subject	Further information available at:
Introduction Page 2	EU Procurement Guidance	http://www.ogc.gov.uk/documents/Introduction_to_the_EU_rules.pdf
	State Aid Guidance	http://www.berr.gov.uk/bbf/state-aid/index.html
	Equality Legislation	http://www.equalityhumanrights.com/en/Pages/default.aspx
	Environmental information	http://www.environment-agency.gov.uk/
The Audit Trail Page 6	Output Evidence	http://www.defra.gov.uk/rural/rdpe/pdf/guidh.pdf
Procurement Page 12	An Introduction to Procurement Rules	http://www.ogc.gov.uk/documents/Introduction_to_the_EU_rules.pdf
	The Office of Government Commerce EU Procurement Guidance	http://www.ogc.gov.uk/documents/Introduction_to_the_EU_rules.pdf
	SWRDA Sustainable Procurement Policy	http://www.southwestrda.org.uk/about/information/classes-of-informati.shtm
Procurement Page 13	An Introduction to the EU Procurement Rules	http://www.ogc.gov.uk/documents/Introduction_to_the_EU_rules.pdf
	The latest EU Procurement Thresholds	http://www.ogc.gov.uk/procurement_policy_and_application_of_eu_rules_eu_procurement_thresholds_.asp
	The latest exchange rates	http://ec.europa.eu/budget/inforeuro/index.cfm?fuseaction=currency_hist_orique&currency=72&Language=en
State Aid Page 14	State Aid Guidance	http://www.berr.gov.uk/files/file42032.pdf
Publicity Page 16	Hyperlink to the Commission websites related to structural funds	www.europa.eu.int

<i>Name</i>	<i>Position</i>	<i>Telephone</i>	<i>E-mail</i>
<i>Alex Sherman</i>	<i>Somerset Levels and Moors LARC Programme Manager</i>	<i>01458 251309</i>	<i>asherman1@somerset.gov.uk</i>
<i>Anne-Marie Spalding</i>	<i>Western Somerset LARC Programme Manager</i>	<i>01823 355035 (Mon) 07887 951067 (Tues - Fri)</i>	<i>amspalding@somerset.gov.uk</i>
<i>Rod Bradley</i>	<i>LARC Finance Officer</i>	<i>01823 357177(Mon – Weds)</i>	<i>rbradley@somerset.gov.uk</i>
<i>Helen Waring</i>	<i>LARC Monitoring and Evaluation Officer</i>	<i>01823 355035 (Tues – Thurs)</i>	<i>hwaring@somerset.gov.uk</i>
<i>Alan Lancefield</i>	<i>LARC Administrator</i>	<i>01823 356865</i>	<i>alancefield@somerset.gov.uk</i>

